



Moznosti Makedonija Final Performance Report

REPORT DETAILS

Report Type: Final Close Out report

Reporting Period: May 1995 to March 2003

Grant Number: EPE-G-00-95-00067-00

Project Title: Opportunity International
Macedonia

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Opportunity

Grantee: Opportunity International

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OVERVIEW

Opportunity established Moznosti in March 1996 as a USAID funded micro lending project with an initial grant of \$2,053,460. The grant was subsequently modified in January 1998, September 1998, September 1999, and July 2000 to increase funding by \$500,000, \$500,000, \$2,000,000, and \$1,181,540 respectively. The mission of the agency is "to help people start and develop small businesses that will create new jobs for the wider community. There is a strong commitment to help people who have little or no capital. It is done with love towards the people. Providing a helping hand in the initial phases of business development can be of vital importance. The agency intends to be long-lasting responsible stewards of the entrusted resources."

Moznosti has demonstrated tremendous success as a micro lending institution. Its program was designed to establish a micro-enterprise development agency, which would become economically viable. The objectives of the institution were to provide financial support to micro-business, to increase the participation of women and different Macedonian ethnic groups in economic activities. Moznosti has succeeded on all fronts.

At the start of this project, there was a great need for new credit sources and institutions, as well as additional capacity to serve the emerging private sector. While the need for credit and technical assistance existed among all sizes of businesses, Moznosti has focused on the micro-



business sector. In Macedonia, there was an unfilled need for credit between \$600-\$20,000. Loans of this size allow businesses to move beyond economic survival activities to sustainable business ventures. When Moznosti began there appeared to be no other organization filling this need in Macedonia.

Since the inception of its micro lending facilities in 1995, 8,323 loans have been disbursed totaling 22,538,290 Euros which equals \$20,878,929 at the March 31, 2003 exchange rate of 0.92635. The average loan size is approximately \$2,600. Historically, Moznosti has made primarily individual loans, collateralized by equipment or third-party guarantors. A solidarity group loan product was introduced in late 1998, which targeted women clients. These loans have helped impoverished businesses to flourish, creating approximately 21,000 jobs for poor Macedonians.

MOZNOSTI SAVINGS HOUSE

During 2000, NGO Moznosti incorporated a wholly owned subsidiary called the Moznosti Savings House. This subsidiary applied for and was awarded a Savings House license by the National Bank of Macedonia.

Several important components to the transition of NGO to Savings House were completed in 2001 including the following: transfer of the loan portfolio and staff from the NGO to the Savings House; relocation of headquarters; and acquisition of a new office which provides for Moznosti's Savings House.

During early 2001, Moznosti became one of the first Opportunity partners to successfully pass a rigorous new accreditation process. This status will be valid until 2004, at which time a re-accreditation of the Saving House will be required.

The NGO Moznosti successfully attracted other sources of funding including a \$1,000,000 Taiwanese credit line through Tutunska Bank; a loan of 460,000 Euro and a grant of 22,000 Euro from the Macedonian Enterprise Development Foundation; £50,000 grant from British Know How Fund in England; and \$65,500 grant from Soros Foundation in Skopje.

ALBANIAN CONFLICT

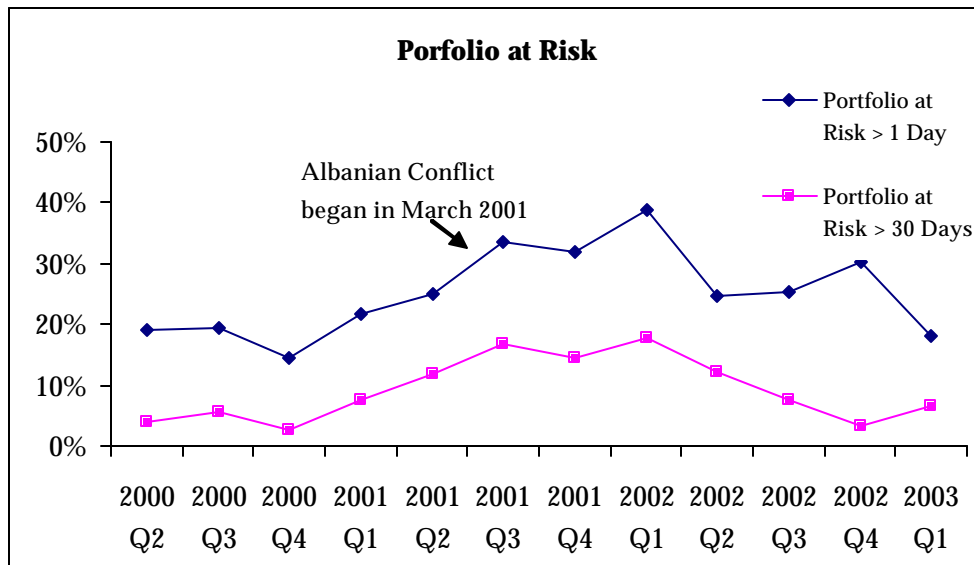
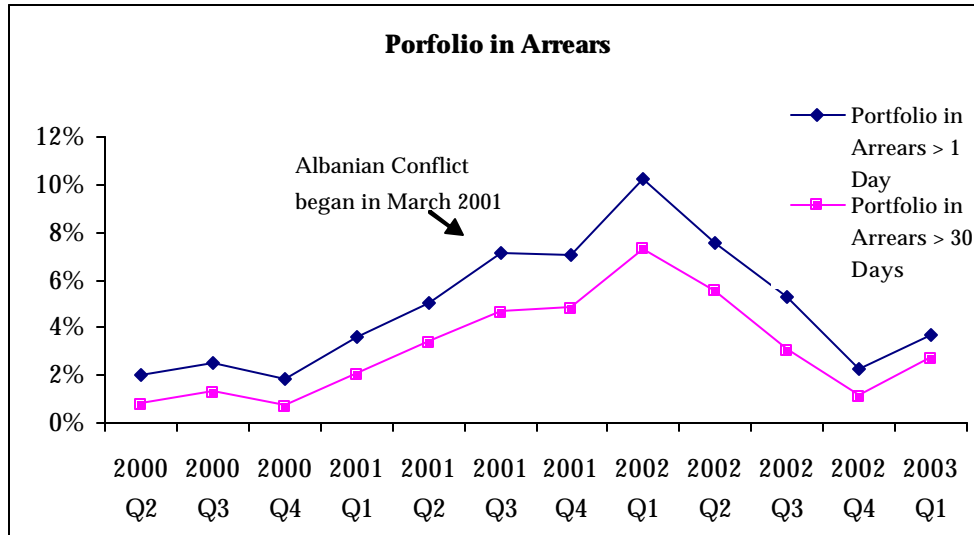
Fighting broke out between ethnic Albanian rebels and Macedonian police in the town of Tetovo in March of 2001. Tetovo is the second largest city in Macedonia and has a majority ethnic Albanian population. These internal conflicts continued throughout 2001 and they also spread to other parts of Macedonia.

This internal conflict had a serious negative impact on the Macedonian economy. During 2001, there was a reduction in investment and loan demand due to the uncertainties facing the country. Due to these economic problems, Moznosti experienced a large increase in



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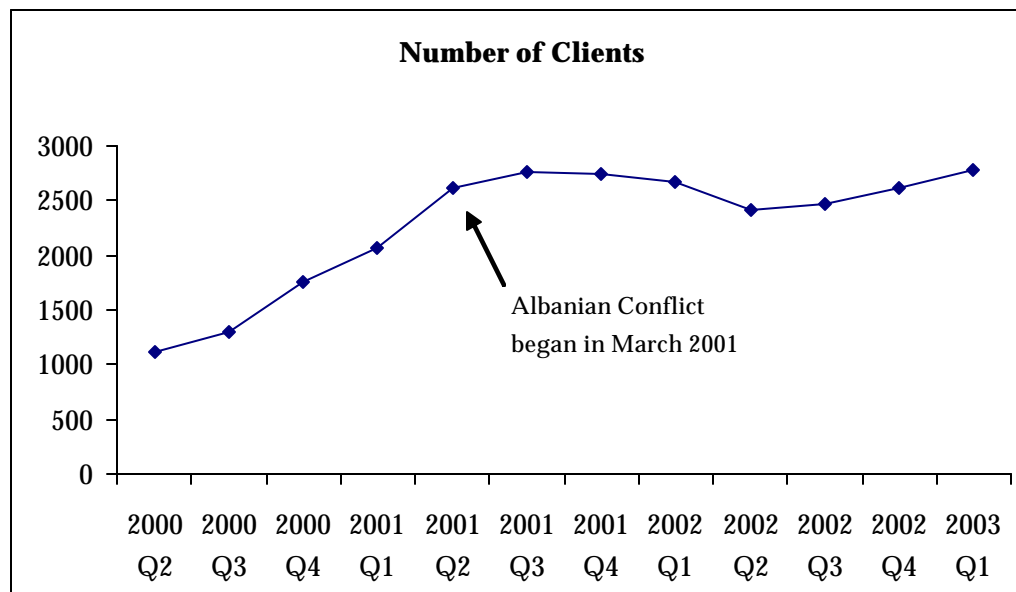
delinquency. Portfolio at risk over 30 days increased from less than 2% at the end of 2000 to more than 17% as of September 2001. At the end of 2001, portfolio at risk was reduced to 12%. However, this was still substantially greater than Moznosti's historical experience. Management made considerable efforts throughout 2002 to increase the quality of the portfolio and to reduce delinquency. These efforts were successful and the portfolio at risk at the end of 2002 was reduced to 3.3%. (See charts on the following page.)



Furthermore, due to the economic problems caused by the internal conflicts and Moznosti's focus on reducing delinquency, Moznosti's portfolio did not grow at projected rates in 2001 and 2002. During this two year period, the number of active clients increased by about 25% from



1,980 to 2,517. However, the USD value of the portfolio only increased by about 5%, due to a planned reduction in loan sizes. (See the graph on the following page.)



Due to the increase of governmental expenses related to the war, a new tax on financial transaction (war tax) was introduced. At tax of 0.5% was imposed on all financial transactions. This had a negative impact on our clients by increasing the cost of loan and had an overall impact of decreasing our clients demand for loan.

COMPARISON OF ACTUAL ACCOMPLISHMENTS VS. GOALS

With very few exceptions, Moznosti accomplished or exceeded its goals. During the organizations early years of operation, Moznosti became the largest microfinance institution in Macedonia. In recent years, Moznosti developed into the largest saving house by capitalization in the country and one of the largest affiliates by portfolio size in the Opportunity Network.

The objectives under this grant were:

1. To establish a micro credit program.
2. To provide micro-business support services.
3. To give Moznosti a significant presence in Western Macedonia and to substantially increase loan inquiries.
4. To distribute approximately 79 individual loans and 80 group loans from the Western Macedonia branch office.
5. To achieve the proportional balance of ethnic representation in our loan portfolio that exists in the branch office's service area.



6. To have active participation of 15% of loan recipients in small business interaction activities.
7. To increase loans to female clients to 30% during 1999-2000.
8. To increase loans to minorities to 20% during 1999-2000.
9. To increase the number of female and minority staff during 2000 and beyond.
10. To allocate sufficient capital to facilitate the full development of the Kicevo branch office.
11. To achieve full financial sustainability.
12. For the Savings House to initiate deposit taking by end of 2000 or early 2001.
13. To finance start-ups for the unemployed.

Moznosti has succeeded on all fronts. The results achieved by the organization, detailed below, especially the number of loans, jobs created and sustained, the financial sustainability and repayment rate, have allowed the organization to attract donors and creditors alike.

Since the inception, Moznosti has accomplished the following:

- 8,323 loans disbursed totalling \$20,878,929;
- at least 35% of loans are to women and approximately 15% to minorities;
- 65% female staff, and 3 minority staff (1 Serbian and 2 Albanians)
- 21,000 sustainable jobs have been created;
- client networking and support services have been provided by Moznosti Business Center
- financed an average of 30% start-up for the unemployed
- established the Kicevo branch in Western Macedonia
- achieved proportional balance of ethnic representation for our clients
- initiated deposit taking in early 2002

Most impressively, Moznosti has successfully achieved operational and financial sustainability after four years of operations. At the end of the project, Moznosti was 159% operationally sustainable and 150% financial sustainable.

EXPLANATION OF MISSED GOALS

As mentioned earlier, during periods of political instability, Moznosti did not meet its goals concerning number of clients and delinquency. However, given the circumstances, Moznosti accomplished more than expected. Following its mission, Moznosti has demonstrated deep commitment towards its clients even during the Kosovo crises as Moznosti continued its lending programs throughout these difficult times. Furthermore, when all other financial institutions ceased lending activities, Moznosti continued to work. The same attitude was



maintained in 2001 during the war in Macedonia. During these times Moznosti client numbers did not climb as much as hoped and delinquency grew to 17% PAR.

LESSONS LEARNED

Moznosti's successful growth demonstrates various best practices for other developing micro lending organizations. Moznosti benefited from strong leadership, consistent and high-quality training, as well as a favorable legal environment. Specifically, organizational and environmental conditions included the following:

- Moznosti prioritized creating a strong Board of Directors who provided support and direction to the organization at different stages.
- Training has been an integral part of Moznosti's operations. Loan offers attend rigorous credit management and internal control training. Members of management have also benefited from the knowledge they gained at microfinance conferences in Budapest and Washington DC.
- Moznosti also established a credible track record with clients. Clients want to continue to work with the bank and become savers.

Moznosti learned lesson concerning the timing of achieving operational sustainability. Moznosti would have liked to have started targeting operational sustainability sooner rather than later. Moznosti started offering an interest rate it believes was too low. If Moznosti were to start again, the organization would start charging more from the beginning of operations.

CLIENT REPORT

FER-TEKST is small company dealing with textile production, specifically for underwear. The owners of the company are Feno Ristov and his wife Rajna. They are textile engineers who used to live in ex Yugoslavia, in Serbia. After the transformation of Yugoslavia, they came back in Radovis, Macedonia where they opened a small textile production facility. They started with three employees in a small room in their family house. Their professionalism quickly brought results and their products were well-received by the market. As the business grew, they needed more machines and other small equipment. At this stage they applied to Moznosti for a loan. Their first loan was disbursed in 1997. Business has continued to grow and in 2003 they received their fourth loan.

Today FER TEKST has 10 employees, their own 60-square meter facility and modern machines that help provide quality products. They have trade marks for fifteen different products made



with 100% cotton and they can produce 10,000 units per month. FER TEKS is a company that can be seen at fairs as well as in 100 stores all over Macedonia.

The owner of the company, Mr. Feno often says “Moznosti is an excellent source of credit.”

REPORT SUMMARY

Moznosti received \$6,235,000 from USAID that has enabled many, many people to start and develop businesses in Macedonia. Moznosti started in 1996 and has, with USAID’s help, since transformed into a Saving House and hopefully, during 2003 Moznosti will obtain a commercial bank license. The next step for Moznosti would be to maintain the mission and values of the NGO as a formal banking institution. Moznosti’s challenge would be to maintain its core mission and values while operating successfully as a formal financial institution.

PROPOSAL TO CLOSE-OUT COOPERATIVE AGREEMENT EPE-G-00-95-00067-00

1. It is the intention of Opportunity International to allow the current loan portfolio of Moznosti to mature within Moznosti.
2. The entire dollar value of this agreement has been used. All available funds have been disbursed as loans via Moznosti.
3. At the end of the agreement, Moznosti had \$116,922 in fixed assets, net of depreciation. None of the property and equipment included had a per item market value of greater than \$5,000. It is proposed that the residual value of all property and equipment remains with Moznosti.